

**CHARTER TOWNSHIP OF LYON  
Oakland County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
December 31, 2007**

CHARTER TOWNSHIP OF LYON  
For the Year Ended December 31, 2007

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For the Year Ended December 31, 2007

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## FINANCIAL SECTION

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## Independent Auditor's Report

May 15, 2008

To the Board of Trustees  
Charter Township of Lyon  
New Hudson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Lyon, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Lyon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Lyon as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees  
Charter Township of Lyon, Michigan  
May 15, 2008

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Lyon's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink, reading "Post Smythe Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants

## Management's Discussion and Analysis

As management of the Charter Township of Lyon, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2007.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charter Township of Lyon's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Financial Highlights

- The assets of the Charter Township of Lyon exceeded its liabilities at the close of the most recent fiscal year by \$46,597,256 (*net assets*). Of this amount, \$9,130,271 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$24,248,447, a decrease of \$4,313,954 in comparison with the prior year. Approximately 17 percent of this amount, \$4,039,194 is *available for spending* at the government's discretion (*unreserved fund balance*).
- The Township's long term debt decreased by \$5,059,001, (7 percent) during the current fiscal year. The key factor in this decrease was the payment of annual debt service.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter Township of Lyon's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Charter Township of Lyon that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of Charter Township of Lyon include general government, public safety, planning and zoning, public works, and recreation and culture. The business-type activities of Charter Township of Lyon include the water and sewer systems.

The government-wide financial statements include not only the Charter Township of Lyon itself (known as the *primary government*), but also the Lyon Township Downtown Development Authority, which is a separate legal entity for which Charter Township of Lyon is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 10-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Lyon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter Township of Lyon maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police Special Revenue Fund, and the following Debt Service Funds: West Grand River Sewer Special Assessment, West Pontiac Trail Sewer Special Assessment, Mill River Water & Sewer Special Assessment, and Southwest Water & Sewer Special Assessment, and the following capital project fund: Southwest Water & Sewer Construction, all of which are considered to be major funds.

Data from the other governmental funds are combined into aggregated presentations by fund type. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.



A budgetary comparison statement has been provided for the General and Police Funds to demonstrate compliance with the annual appropriated budget.

**Proprietary funds.** The Charter Township of Lyon maintains two proprietary funds which are classified as enterprise fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township used enterprise funds to account for its water and sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer system, both of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Charter Township of Lyon's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Component Unit.** The Charter Township of Lyon Downtown Development Authority Fund is another fund which is maintained by the Township, as a "component unit" of the Township. This fund accounts for the activities of the Downtown Development Authority, which utilizes tax increment financing for its primary revenues, with expenditures comprising a number of capital improvement projects, operations and related professional services for the Township's designated downtown area.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 47-59 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Charter Township of Lyon, assets exceeded liabilities by \$46,597,256 at the close of the most recent fiscal year.

A significant portion of the Township's net assets (37 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Charter Township of Lyon used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Charter Township of Lyon: Net Assets

|  | Governmental<br>Activities |               | Business-type<br>Activities |               | Total         |               |
|--|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|  | 2007                       | 2006          | 2007                        | 2006          | 2007          | 2006          |
| Current and Other Assets                           | \$ 81,138,866              | \$ 90,049,658 | \$ 6,878,526                | \$ 5,556,211  | \$ 88,017,392 | \$ 95,605,869 |
| Capital Assets                                     | 73,945,280                 | 69,546,264    | 8,923,452                   | 9,125,726     | 82,868,732    | 78,671,990    |
| Total Assets                                       | 155,084,146                | 159,595,922   | 15,801,978                  | 14,681,937    | 170,886,124   | 174,277,859   |
| Long-term Liabilities                              |                            |               |                             |               |               |               |
| Outstanding  | 65,611,000                 | 70,670,001    | -                           | -             | 65,611,000    | 70,670,001    |
| Other Liabilities                                  | 56,890,419                 | 61,487,257    | 1,787,449                   | 1,794,027     | 58,677,868    | 63,281,284    |
| Total Liabilities                                  | 122,501,419                | 132,157,258   | 1,787,449                   | 1,794,027     | 124,288,868   | 133,951,285   |
| Net Assets:  |                            |               |                             |               |               |               |
| Invested in Capital Assets,<br>net of related debt | 8,334,280                  | 9,654,089     | 8,923,452                   | 9,125,726     | 17,257,732    | 18,779,815    |
| Restricted   | 20,209,253                 | 13,958,642    | -                           | -             | 20,209,253    | 13,958,642    |
| Unrestricted                                       | 4,039,194                  | 3,825,933     | 5,091,077                   | 3,762,184     | 9,130,271     | 7,588,117     |
| Total Net Assets                                   | \$ 32,582,727              | \$ 27,438,664 | \$ 14,014,529               | \$ 12,887,910 | \$ 46,597,256 | \$ 40,326,574 |

An additional portion of the Charter Township of Lyon's net assets (43 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,130,271) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets for the government as a whole. The government's total net assets increased by \$6,270,682 during the current fiscal year.

**Governmental activities.** Governmental activities increased the Charter Township of Lyon's net assets by \$5,144,063. Also, there was a significant increase in interest earnings of \$252,862.

|                                  | Governmental<br>Activities |              | Business-type<br>Activities |            | Total        |              |
|----------------------------------|----------------------------|--------------|-----------------------------|------------|--------------|--------------|
|                                  | 2007                       | 2006         | 2007                        | 2006       | 2007         | 2006         |
| Program Revenues:                |                            |              |                             |            |              |              |
| Charges for Services             | \$ 8,629,396               | \$ 9,232,091 | \$ 641,761                  | \$ 408,532 | \$ 9,271,157 | \$ 9,640,623 |
| Operating Grants & Contributions | 39,337                     | 67,719       | -                           | -          | 39,337       | 67,719       |
| Capital Grants & Contributions   | 36,800                     | -            | 1,559,583                   | 1,410,517  | 1,596,383    | 1,410,517    |
| General Revenues:                |                            |              |                             |            |              |              |
| Property Taxes                   | 2,546,559                  | 2,526,529    | -                           | -          | 2,546,559    | 2,526,529    |
| State Shared Revenues            | 786,780                    | 764,814      | -                           | -          | 786,780      | 764,814      |
| Unrestricted Investment Earnings | 1,346,299                  | 1,093,437    | 129,175                     | 100,179    | 1,475,474    | 1,193,616    |
| Other                            | 111,495                    | 100,020      | -                           | -          | 111,495      | 100,020      |
| Transfers                        | 216,321                    | 152,580      | -                           | -          | 216,321      | 152,580      |
| Total Revenues                   | 13,712,987                 | 13,937,190   | 2,330,519                   | 1,919,228  | 16,043,506   | 15,856,418   |
| Program Expenses                 |                            |              |                             |            |              |              |
| General Government               | 1,082,872                  | 1,165,636    | -                           | -          | 1,082,872    | 1,165,636    |
| Public Safety                    | 2,776,547                  | 2,824,624    | -                           | -          | 2,776,547    | 2,824,624    |
| Planning and Zoning              | 179,843                    | 254,288      | -                           | -          | 179,843      | 254,288      |
| Public Works                     | 1,516,172                  | 867,498      | -                           | -          | 1,516,172    | 867,498      |
| Health and Welfare               | 54,125                     | 132,624      | -                           | -          | 54,125       | 132,624      |
| Recreation and Cultural          | 424,737                    | 414,695      | -                           | -          | 424,737      | 414,695      |
| Interest on Long-Term Debt       | 2,534,628                  | 2,427,960    | -                           | -          | 2,534,628    | 2,427,960    |
| Water and Sewer                  | -                          | -            | 987,579                     | 848,101    | 987,579      | 848,101      |
| Transfers                        | -                          | -            | 216,321                     | 152,580    | 216,321      | 152,580      |
| Total Expenses                   | 8,568,924                  | 8,087,325    | 1,203,900                   | 1,000,681  | 9,772,824    | 9,088,006    |
| Change in Net Assets             | \$ 5,144,063               | \$ 5,849,865 | \$ 1,126,619                | \$ 918,547 | \$ 6,270,682 | \$ 6,768,412 |

**Business-type activities.** Business-type activities increased the Charter Township of Lyon's net assets by \$1,126,619, which is a result of \$1,559,583 of capital contributions in the current year combined with operating losses totaling \$345,818 in the water and sewer funds.

### Financial Analysis of the Government's Funds

As noted earlier, the Charter Township of Lyon utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Charter Township of Lyon's governmental funds reported combined ending fund balances of \$24,248,447, a decrease of \$4,313,954 in comparison with the prior year. The *unreserved fund balance*, which is the amount available for spending at the government's discretion, represents 17% of the total fund balance. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to uphold contracts or bond agreements (\$20,209,253).

The general fund is the chief operating fund for the Charter Township of Lyon. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$2,723,625, which was also the total fund balance. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 128% of general fund expenditures. The fund balance of Charter Township of Lyon's general fund increased by \$62,477 during the current fiscal year. The total actual operating expenditures were \$210,049 less than the final amended budget. Also, there was approximately a \$33,000 increase in property and liability insurance expense.

**Proprietary funds.** Charter Township of Lyon's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$5,091,077. Other factors concerning the finances of this fund have already been addressed in the discussion of Charter Township of Lyon's business-type activities.

### **2007 General Fund Budgetary Highlights**

Over the course of the year, the budget is monitored by the Township administration and Board, and amended as necessary to reflect changing conditions and/or unanticipated events. In fiscal 2007, the actual revenues received were \$134,730 higher than the original approved budget. Overall expenses were 11% under the original approved budget, and 10% less than the final amended budget.

### **Capital Asset and Debt Administration**

**Capital assets.** The Charter Township of Lyon's investment in capital assets for its governmental and business type activities as of December 31, 2007, amounts to \$82,868,732 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and the water and sewer systems. The total increase in Charter Township of Lyon's investment in capital assets for the current fiscal year was 6 percent (a 6 percent increase for governmental activities and a 2 percent decrease for business-type activities).

**Long-term debt.** At the end of the current fiscal year, Charter Township of Lyon had total bonded debt outstanding of \$65,611,000. All of Charter Township of Lyon's debt represents general obligation debt backed by the full faith and credit of Charter Township of Lyon, subject to constitutional limit. Additional information on Charter Township of Lyon's long-term debt can be found in note IV. D. on page 35 of this report.

## **Economic Factors and Subsequent Year's Budgets and Rates**

At 4.2 total mills, Lyon Township has one of the lowest property tax rates in Oakland County and the Detroit metropolitan area. The Township is experiencing a comparatively rapid rate of growth in its taxable valuation (averaging about 10% per year since 2001). In 2007, property taxes comprised 28% of general fund revenues and 98% of the police operating fund revenues. The Township's water and sewer systems have been extended into previously-farmed areas, which are now being developed predominantly for single-family homes. Further residential development interest is continuing via the assembly of smaller vacant parcels and larger forested, non-farmed parcels. Additionally, the Township is continuing to see growth in its commercial and industrial sectors. The industrial sector has slowed somewhat compared with the earlier years of this decade, largely attributable to Michigan's overall economic growth lagging behind the rest of the nation. The Township's Downtown Development Authority received approval of its \$31 million tax increment finance plan, focused on public improvements in the downtown New Hudson area. The goal of the plan is to provide the infrastructure necessary to encourage private investment in underutilized property, thereby expanding the Township's tax base as well as to create new employment opportunities.

Despite the growth in value of the Township's tax base, the Township's tax rates are subject to statutory and Headlee limitations, which have decreased the operating tax rates 16% since 2002. As a result, property tax revenues to support general Township operations and police protection are less than the tax base growth rate. State-shared revenues account for 39% of the Township's 2007 budgeted revenues, but the amount has declined significantly since 2001. Despite operating with relatively low personnel costs, there are increasing operational costs for services and supplies, as well as long-range maintenance needs for Township buildings. Finding alternative revenues to address the limitations of these two primary revenue sources will be a priority of the Township's future budgets. The fiscal 2008 budget also included a detailed projection of revenues and expenses for the years 2009-2011, in order to help guide decisions for future operations, maintenance and to examine long-term obligations. With the Township's population growth, the expectations of the citizenry as to public services and facilities are changing. It is anticipated that those expectations will only be able to be met through voted special millages.

The water and sewer enterprise funds are growing rapidly, both in terms of the values of their respective assets, as well as in their revenue and expenses. In 2006, the Township acquired a wastewater treatment facility. The sewer system will also expand into new areas of the Township, serving about 2,000 acres of property.

## **Requests for Information**

This financial report is designed to provide a general overview of Charter Township of Lyon's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Township Supervisor, 58000 Grand River Avenue, New Hudson, MI 48165.

## BASIC FINANCIAL STATEMENTS

**CHARTER TOWNSHIP OF LYON**  
**Statement of Net Assets**  
**December 31, 2007**

|  | Primary Government         |                             |                      | Component<br>Unit   |
|--|----------------------------|-----------------------------|----------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |                     |
| <b><u>ASSETS</u></b>                               |                            |                             |                      |                     |
| Cash and Cash Equivalents                          | \$ 23,526,223              | \$ 3,546,216                | \$ 27,072,439        | \$ 3,142,903        |
| Receivables (net of allowance for uncollectibles): |                            |                             |                      |                     |
| Taxes  | 279,318                    | -                           | 279,318              | 1,214,138           |
| Accounts   | 1,122,380                  | 94,071                      | 1,216,451            | -                   |
| Notes  | -                          | 3,097,519                   | 3,097,519            | -                   |
| Special Assessments                                | 53,577,990                 | -                           | 53,577,990           | -                   |
| Due from Other Funds                               | 2,166,978                  | 103,555                     | 2,270,533            | -                   |
| Due from Component Units                           | 440,247                    | -                           | 440,247              | -                   |
| Due from Other Governmental Units                  | -                          | 36,597                      | 36,597               | -                   |
| Prepaid Expenditures                               | 25,730                     | 568                         | 26,298               | -                   |
| Capital Assets (net of Accumulated Depreciation)   | 73,945,280                 | 8,923,452                   | 82,868,732           | -                   |
| Total Assets                                       | <u>155,084,146</u>         | <u>15,801,978</u>           | <u>170,886,124</u>   | <u>4,357,041</u>    |
| <b><u>LIABILITIES</u></b>                          |                            |                             |                      |                     |
| Accounts Payable                                   | 1,890,963                  | 45,859                      | 1,936,822            | 27,513              |
| Accrued Liabilities                                | 266,260                    | 11,000                      | 277,260              | -                   |
| Due to Other Funds                                 | 1,376,324                  | 731,111                     | 2,107,435            | -                   |
| Due to Primary Government                          | -                          | -                           | -                    | 440,247             |
| Deferred Revenue                                   | 53,356,872                 | 999,479                     | 54,356,351           | 790,311             |
| Noncurrent Liabilities:                            |                            |                             |                      |                     |
| Due within one year                                | 5,179,000                  | -                           | 5,179,000            | -                   |
| Due in more than one year                          | 60,432,000                 | -                           | 60,432,000           | -                   |
| Total Liabilities                                  | <u>122,501,419</u>         | <u>1,787,449</u>            | <u>124,288,868</u>   | <u>1,258,071</u>    |
| <b><u>NET ASSETS</u></b>                           |                            |                             |                      |                     |
| Invested in Capital Assets, net of related debt    | 8,334,280                  | 8,923,452                   | 17,257,732           | -                   |
| Restricted for:                                    |                            |                             |                      |                     |
| Capital Projects                                   | 6,318,887                  | -                           | 6,318,887            | -                   |
| Debt Service                                       | 13,890,366                 | -                           | 13,890,366           | -                   |
| Unrestricted                                       | 4,039,194                  | 5,091,077                   | 9,130,271            | 3,098,970           |
| Total Net Assets                                   | <u>\$ 32,582,727</u>       | <u>\$ 14,014,529</u>        | <u>\$ 46,597,256</u> | <u>\$ 3,098,970</u> |

**CHARTER TOWNSHIP OF LYON**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

| <u>Functions/Programs</u>      | <u>Expenses</u>     | <u>Program Revenues</u>         |   |   |
|--------------------------------|---------------------|---------------------------------|---|---|
|                                |                     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |
| Primary Government:            |                     |                                 |   |   |
| Governmental Activities:       |                     |                                 |   |   |
| General Government             | \$ 1,082,872        | \$ 413,090                      | \$ 10,377   | \$ 133  |
| Public Safety                  | 2,776,547           | 575,051                         | -   | -   |
| Planning and Zoning            | 179,843             | 32,265                          | -   | -   |
| Public Works                   | 1,516,172           | 7,486,390                       | -   | 36,667  |
| Health and Welfare             | 54,125              | -                               | 28,960  | -   |
| Recreation and Cultural        | 424,737             | 122,600                         | -   | -   |
| Interest on Long-Term Debt     | 2,534,628           | -                               | -   | -   |
| Total Governmental Activities  | <u>8,568,924</u>    | <u>8,629,396</u>                | <u>39,337</u>                                     | <u>36,800</u>                                   |
| Business-type Activities:      |                     |                                 |   |   |
| Water                          | 192,378             | -                               | -   | 408,678   |
| Sewer                          | 795,201             | 641,761                         | -   | 1,150,905                                       |
| Total Business-type Activities | <u>987,579</u>      | <u>641,761</u>                  | <u>-</u>  | <u>1,559,583</u>                                |
| Total Primary Government       | <u>\$ 9,556,503</u> | <u>\$ 9,271,157</u>             | <u>\$ 39,337</u>                                  | <u>\$ 1,596,383</u>                             |
| Component Unit - DDA           | <u>\$ 1,818,135</u> | <u>\$ 182,310</u>               | <u>\$ -</u>                                       | <u>\$ 216,160</u>                               |

General Revenues:  
    Property Taxes  
    State Shared Revenue  
    Franchise Fees  
    Unrestricted Investment Earnings  
Transfers - Operating  
    Total General Revenues and Transfers

Change in Net Assets  
Net Assets - Beginning

Net Assets - Ending



| Net (Expense) Revenue and Changes in Net Assets |                             |                      |                         |
|---|-----------------------------|----------------------|-------------------------|
| Primary Government                              |                             |                      |                         |
| Governmental<br>Activities                      | Business-type<br>Activities | Total                | Component<br>Unit - DDA |
| \$ (659,272)                                    | \$ -                        | \$ (659,272)         | \$ -                    |
| (2,201,496)                                     | -                           | (2,201,496)          | -                       |
| (147,578)                                       | -                           | (147,578)            | -                       |
| 6,006,885                                       | -                           | 6,006,885            | -                       |
| (25,165)  | -                           | (25,165)             | -                       |
| (302,137)                                       | -                           | (302,137)            | -                       |
| (2,534,628)                                     | -                           | (2,534,628)          | -                       |
| <u>136,609</u>                                  | <u>-</u>                    | <u>136,609</u>       | <u>-</u>                |
| -   | 216,300                     | 216,300              | -                       |
| -   | 997,465                     | 997,465              | -                       |
| <u>-</u>  | <u>1,213,765</u>            | <u>1,213,765</u>     | <u>-</u>                |
| <u>136,609</u>                                  | <u>1,213,765</u>            | <u>1,350,374</u>     | <u>-</u>                |
| -   | -                           | -                    | (1,419,665)             |
| 2,546,559                                       | -                           | 2,546,559            | 1,361,660               |
| 786,780   | -                           | 786,780              | -                       |
| 111,495   | -                           | 111,495              | -                       |
| 1,346,299                                       | 129,175                     | 1,475,474            | 157,545                 |
| 216,321   | (216,321)                   | -                    | -                       |
| <u>5,007,454</u>                                | <u>(87,146)</u>             | <u>4,920,308</u>     | <u>1,519,205</u>        |
| 5,144,063                                       | 1,126,619                   | 6,270,682            | 99,540                  |
| <u>27,438,664</u>                               | <u>12,887,910</u>           | <u>40,326,574</u>    | <u>2,999,430</u>        |
| <u>\$ 32,582,727</u>                            | <u>\$ 14,014,529</u>        | <u>\$ 46,597,256</u> | <u>\$ 3,098,970</u>     |

**CHARTER TOWNSHIP OF LYON****Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

|   | General             | Police            | West Grand<br>River Sewer S/A<br>Debt Service | West Pontiac<br>Trail Sewer S/A<br>Debt Service |
|---|---------------------|-------------------|---|---|
| <b><u>ASSETS</u></b>                                  |                     |                   |   |   |
| Cash and Cash Equivalents                             | \$ 679,205          | \$ 267,795        | \$ 2,535,133                                  | \$ 1,962,698                                    |
| Receivables (net of allowance<br>for uncollectibles): |                     |                   |   |   |
| Taxes   | 119,919             | 159,399           | -   | -   |
| Accounts  | 113,949             | 700               | -   | -   |
| Special Assessments                                   | -                   | -                 | 5,029,508                                     | 4,726,508                                       |
| Due from Other Funds                                  | 1,806,617           | -                 | 25,168  | -   |
| Due from Component Unit                               | 440,247             | -                 | -   | -   |
| Prepaid Expenditures                                  | 17,148              | -                 | -   | -   |
| Total Assets  | <u>\$ 3,177,085</u> | <u>\$ 427,894</u> | <u>\$ 7,589,809</u>                           | <u>\$ 6,689,206</u>                             |
| <b><u>LIABILITIES AND FUND BALANCE</u></b>            |                     |                   |   |   |
| Liabilities:  |                     |                   |   |   |
| Accounts Payable                                      | \$ 103,278          | \$ 124,501        | \$ 150  | \$ -  |
| Accrued and Other Liabilities                         | 217,969             | -                 | -   | -   |
| Due to Other Funds                                    | 12,294              | -                 | -   | -   |
| Deferred Revenue                                      | 119,919             | -                 | 4,688,471                                     | 4,726,508                                       |
| Total Liabilities                                     | <u>453,460</u>      | <u>124,501</u>    | <u>4,688,621</u>                              | <u>4,726,508</u>                                |
| Fund Balances:  |                     |                   |   |   |
| Reserved for:   |                     |                   |   |   |
| Capital Projects                                      | -                   | -                 | -   | -   |
| Debt Service  | -                   | -                 | 2,901,188                                     | 1,962,698                                       |
| Unreserved for:                                       |                     |                   |   |   |
| General Fund  | 2,723,625           | -                 | -   | -   |
| Special Revenue Funds                                 | -                   | 303,393           | -   | -   |
| Total Fund Balances                                   | <u>2,723,625</u>    | <u>303,393</u>    | <u>2,901,188</u>                              | <u>1,962,698</u>                                |
| Total Liabilities and Fund Balances                   | <u>\$ 3,177,085</u> | <u>\$ 427,894</u> | <u>\$ 7,589,809</u>                           | <u>\$ 6,689,206</u>                             |

| Mill River Water<br>& Sewer S/A<br>Debt Service | Southwest<br>Water & Sewer<br>Debt Service | Southwest<br>Water & Sewer<br>Construction | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--|--|--------------------------------|--------------------------------|
| \$ 469,179                                      | \$ 330,477                                 | \$ 6,960,429                               | \$ 10,321,307                  | \$ 23,526,223                  |
| -   | -  | -  | -                              | 279,318                        |
| -   | -  | -  | 1,007,731                      | 1,122,380                      |
| 7,087,739                                       | 20,561,791                                 | -  | 16,172,444                     | 53,577,990                     |
| -   | -  | 40,440                                     | 294,753                        | 2,166,978                      |
| -   | -  | -  | -                              | 440,247                        |
| -   | -  | -  | 8,582                          | 25,730                         |
| <u>\$ 7,556,918</u>                             | <u>\$ 20,892,268</u>                       | <u>\$ 7,000,869</u>                        | <u>\$ 27,804,817</u>           | <u>\$ 81,138,866</u>           |

|                  |                   |                  |                   |                   |
|------------------|-------------------|------------------|-------------------|-------------------|
| \$ -             | \$ 113            | \$ 1,462,803     | \$ 200,118        | \$ 1,890,963      |
| -                | -                 | -                | 48,291            | 266,260           |
| -                | -                 | 437,467          | 926,563           | 1,376,324         |
| 7,087,739        | 20,561,791        | -                | 16,172,444        | 53,356,872        |
| <u>7,087,739</u> | <u>20,561,904</u> | <u>1,900,270</u> | <u>17,347,416</u> | <u>56,890,419</u> |

|                     |                      |                     |                      |                   |
|---------------------|----------------------|---------------------|----------------------|-------------------|
| -                   | -                    | 5,100,599           | 1,218,288            | 6,318,887         |
| 469,179             | 330,364              | -                   | 8,226,937            | 13,890,366        |
| -                   | -                    | -                   | -                    | 2,723,625         |
| -                   | -                    | -                   | 1,012,176            | 1,315,569         |
| <u>469,179</u>      | <u>330,364</u>       | <u>5,100,599</u>    | <u>10,457,401</u>    | <u>24,248,447</u> |
| <u>\$ 7,556,918</u> | <u>\$ 20,892,268</u> | <u>\$ 7,000,869</u> | <u>\$ 27,804,817</u> |                   |

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

73,945,280

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(65,611,000)

Net Assets of Governmental Activities

\$ 32,582,727

**CHARTER TOWNSHIP OF LYON**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2007**

|  | General             | Police            | West Grand<br>River Sewer S/A<br>Debt Service | West Pontiac<br>Trail Sewer S/A<br>Debt Service |
|--|---------------------|-------------------|---|---|
| <b><u>Revenues</u></b>                               |                     |                   |   |   |
| Property Taxes                                       | \$ 616,730          | \$ 1,668,718      | \$ -  | \$ -  |
| Licenses and Permits                                 | 3,752               | 8,046             | -   | -   |
| Intergovernmental:                                   |                     |                   |   |   |
| Federal, State and Local                             | 807,013             | -                 | -   | -   |
| Charges for Services                                 | 372,337             | 25,135            | -   | -   |
| Fines and Forfeitures                                | 31,351              | -                 | -   | -   |
| Franchise Fees                                       | 111,495             | -                 | -   | -   |
| Special Assessments                                  | -                   | -                 | 826,624                                       | 1,274,788                                       |
| Interest   | 189,023             | -                 | 122,291                                       | 90,321  |
| Other  | 64,364              | -                 | -   | -   |
| Total Revenues                                       | <u>2,196,065</u>    | <u>1,701,899</u>  | <u>948,915</u>                                | <u>1,365,109</u>                                |
| <b><u>Expenditures</u></b>                           |                     |                   |   |   |
| Current:   |                     |                   |   |   |
| General Government                                   | 817,057             | -                 | -   | -   |
| Public Safety  | 553,061             | 1,553,666         | -   | -   |
| Planning and Zoning                                  | 179,843             | -                 | -   | -   |
| Public Works   | 84,587              | -                 | -   | -   |
| Health and Welfare                                   | 54,125              | -                 | -   | -   |
| Recreation and Cultural                              | 31,199              | -                 | -   | -   |
| Other  | 193,816             | -                 | -   | -   |
| Debt Service:  |                     |                   |   |   |
| Principal  | 25,001              | -                 | 500,000                                       | 605,000   |
| Interest and Other Charges                           | 869                 | -                 | 381,160                                       | 206,530   |
| Capital Outlay                                       | 13,030              | -                 | -   | -   |
| Total Expenditures                                   | <u>1,952,588</u>    | <u>1,553,666</u>  | <u>881,160</u>                                | <u>811,530</u>                                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>243,477</u>      | <u>148,233</u>    | <u>67,755</u>                                 | <u>553,579</u>                                  |
| <b><u>Other Financing Sources (Uses)</u></b>         |                     |                   |   |   |
| Transfers In   | -                   | -                 | -   | -   |
| Transfers Out  | (181,000)           | -                 | -   | -   |
| Total Other Financing Sources (Uses)                 | <u>(181,000)</u>    | <u>-</u>          | <u>-</u>                                      | <u>-</u>  |
| Net Change in Fund Balances                          | 62,477              | 148,233           | 67,755  | 553,579   |
| Fund Balances - Beginning                            | <u>2,661,148</u>    | <u>155,160</u>    | <u>2,833,433</u>                              | <u>1,409,119</u>                                |
| Fund Balances - Ending                               | <u>\$ 2,723,625</u> | <u>\$ 303,393</u> | <u>\$ 2,901,188</u>                           | <u>\$ 1,962,698</u>                             |

| Mill River Water<br>& Sewer S/A<br>Debt Service | Southwest<br>Water & Sewer<br>Debt Service | Southwest<br>Water & Sewer<br>Construction | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--|--|--------------------------------|--------------------------------|
| \$ -  | \$ -                                       | \$ -                                       | \$ 261,111                     | \$ 2,546,559                   |
| -   | -  | -  | -                              | 11,798                         |
| -   | -  | -  | 45,394                         | 852,407                        |
| -   | -  | -  | 655,991                        | 1,053,463                      |
| -   | -  | -  | -                              | 31,351                         |
| -   | -  | -  | -                              | 111,495                        |
| 1,149,334                                       | 239,287                                    | -  | 3,988,897                      | 7,478,930                      |
| 8,738   | 46,260                                     | 427,093                                    | 462,573                        | 1,346,299                      |
| -   | -  | -  | -                              | 64,364                         |
| <u>1,158,072</u>                                | <u>285,547</u>                             | <u>427,093</u>                             | <u>5,413,966</u>               | <u>13,496,666</u>              |
| -   | -  | -  | -                              | 817,057                        |
| -   | -  | -  | 424,303                        | 2,531,030                      |
| -   | -  | -  | -                              | 179,843                        |
| -   | -  | -  | 149,833                        | 234,420                        |
| -   | -  | -  | -                              | 54,125                         |
| -   | -  | -  | 329,347                        | 360,546                        |
| -   | -  | -  | -                              | 193,816                        |
| 400,000   | -  | -  | 3,529,000                      | 5,059,001                      |
| 325,362   | -  | 490,965                                    | 1,129,742                      | 2,534,628                      |
| -   | -  | 5,606,047                                  | 443,398                        | 6,062,475                      |
| <u>725,362</u>                                  | <u>-</u>                                   | <u>6,097,012</u>                           | <u>6,005,623</u>               | <u>18,026,941</u>              |
| <u>432,710</u>                                  | <u>285,547</u>                             | <u>(5,669,919)</u>                         | <u>(591,657)</u>               | <u>(4,530,275)</u>             |
| -   | -  | -  | 397,321                        | 397,321                        |
| -   | -  | -  | -                              | (181,000)                      |
| -   | -  | -  | <u>397,321</u>                 | <u>216,321</u>                 |
| 432,710   | 285,547                                    | (5,669,919)                                | (194,336)                      | (4,313,954)                    |
| <u>36,469</u>                                   | <u>44,817</u>                              | <u>10,770,518</u>                          | <u>10,651,737</u>              | <u>28,562,401</u>              |
| <u>\$ 469,179</u>                               | <u>\$ 330,364</u>                          | <u>\$ 5,100,599</u>                        | <u>\$ 10,457,401</u>           | <u>\$ 24,248,447</u>           |

**CHARTER TOWNSHIP OF LYON**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

|  |                |
|--|----------------|
| Net change in fund balances - total governmental funds | \$ (4,313,954) |
|--|----------------|

|   |           |
|---|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 4,399,016 |
|---|-----------|

|  |                  |
|--|------------------|
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <u>5,059,001</u> |
|--|------------------|

|   |                     |
|---|---------------------|
| Change in net assets in governmental activities | \$ <u>5,144,063</u> |
|---|---------------------|

**CHARTER TOWNSHIP OF LYON**

**Balance Sheet**

**Proprietary Funds**

**December 31, 2007**

|   | Business-type Activities - Enterprise Funds |                     |                      |
|---|---|---------------------|----------------------|
|   | Sewer                                       | Water               | Total                |
| <b><u>ASSETS</u></b>                            |   |                     |                      |
| Current Assets:                                 |   |                     |                      |
| Cash  | \$ 2,540,747                                | \$ 1,005,469        | \$ 3,546,216         |
| Accounts Receivable                             | 94,071                                      | -                   | 94,071               |
| Notes Receivable - Current                      | 340,112                                     | 70,092              | 410,204              |
| Due from Other Funds                            | 57,733                                      | 45,822              | 103,555              |
| Due from Other Units                            | -   | 36,597              | 36,597               |
| Prepaid Expenses                                | 568   | -                   | 568                  |
| Total Current Assets                            | <u>3,033,231</u>                            | <u>1,157,980</u>    | <u>4,191,211</u>     |
| Notes Receivable (Net of Current Portion)       | <u>2,056,484</u>                            | <u>630,831</u>      | <u>2,687,315</u>     |
| Fixed Assets:                                   |   |                     |                      |
| Water Mains                                     | -   | 6,204,804           | 6,204,804            |
| Sewer Mains                                     | 3,908,762                                   | -                   | 3,908,762            |
| Accumulated Depreciation                        | <u>(445,538)</u>                            | <u>(744,576)</u>    | <u>(1,190,114)</u>   |
| Net Fixed Assets                                | <u>3,463,224</u>                            | <u>5,460,228</u>    | <u>8,923,452</u>     |
| Total Assets                                    | <u>\$ 8,552,939</u>                         | <u>\$ 7,249,039</u> | <u>\$ 15,801,978</u> |
| <b><u>LIABILITIES AND FUND EQUITY</u></b>       |   |                     |                      |
| Liabilities:                                    |   |                     |                      |
| Current Liabilities:                            |   |                     |                      |
| Accounts Payable                                | \$ 44,949                                   | \$ 910              | \$ 45,859            |
| Contracts Payable                               | 5,000                                       | 6,000               | 11,000               |
| Due to Other Funds                              | 594,775                                     | 136,336             | 731,111              |
| Deferred Revenue                                | <u>17,005</u>                               | <u>70,092</u>       | <u>87,097</u>        |
| Total Current Liabilities                       | <u>661,729</u>                              | <u>213,338</u>      | <u>875,067</u>       |
| Long-Term Liabilities:                          |   |                     |                      |
| Deferred Revenue (Net of Current Portion)       | <u>281,551</u>                              | <u>630,831</u>      | <u>912,382</u>       |
| Total Liabilities                               | <u>943,280</u>                              | <u>844,169</u>      | <u>1,787,449</u>     |
| Fund Equity:                                    |   |                     |                      |
| Invested in Capital Assets, net of related debt | 3,463,224                                   | 5,460,228           | 8,923,452            |
| Unrestricted                                    | <u>4,146,435</u>                            | <u>944,642</u>      | <u>5,091,077</u>     |
| Total Fund Equity                               | <u>7,609,659</u>                            | <u>6,404,870</u>    | <u>14,014,529</u>    |
| Total Liabilities and Fund Equity               | <u>\$ 8,552,939</u>                         | <u>\$ 7,249,039</u> | <u>\$ 15,801,978</u> |

**CHARTER TOWNSHIP OF LYON**  
**Statement of Revenues, Expenses and Changes in Fund Equity**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

|  | <u>Business-type Activities - Enterprise Funds</u> |                            |                             |
|--|--|----------------------------|-----------------------------|
|  | <u>Sewer</u>                                       | <u>Water</u>               | <u>Total</u>                |
| Operating Revenues:                              |  |                            |                             |
| Sewer Billings                                   | \$ <u>641,761</u>                                  | \$ <u>-</u>                | \$ <u>641,761</u>           |
| Operating Expenses:                              |  |                            |                             |
| Operations & Maintenance                         | 717,023  | 68,282                     | 785,305                     |
| Depreciation Expense                             | <u>78,178</u>                                      | <u>124,096</u>             | <u>202,274</u>              |
| Total Operating Expenses                         | <u>795,201</u>                                     | <u>192,378</u>             | <u>987,579</u>              |
| Operating Income (Loss)                          | <u>(153,440)</u>                                   | <u>(192,378)</u>           | <u>(345,818)</u>            |
| Nonoperating Revenues:                           |  |                            |                             |
| Interest Income                                  | <u>89,354</u>                                      | <u>39,821</u>              | <u>129,175</u>              |
| Income (Loss) Before Contributions and Transfers | (64,086)   | (152,557)                  | (216,643)                   |
| Capital Contributions                            | 1,150,905  | 408,678                    | 1,559,583                   |
| Transfer to Other Funds                          | <u>-</u>   | <u>(216,321)</u>           | <u>(216,321)</u>            |
| Net Income (Loss)                                | 1,086,819  | 39,800                     | 1,126,619                   |
| Retained Earnings - January 1                    | <u>6,522,840</u>                                   | <u>6,365,070</u>           | <u>12,887,910</u>           |
| Retained Earnings - December 31                  | \$ <u><u>7,609,659</u></u>                         | \$ <u><u>6,404,870</u></u> | \$ <u><u>14,014,529</u></u> |



**CHARTER TOWNSHIP OF LYON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2007**

|   | Business-type Activities - Enterprise Funds |                     |                     |
|---|---|---------------------|---------------------|
|   | Sewer                                       | Water               | Total               |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |   |                     |                     |
| Receipts from customers and users   | \$ 661,204                                  | \$ 52,001           | \$ 713,205          |
| Payments to suppliers   | (624,255)                                   | (62,057)            | (686,312)           |
| Net Cash Provided (Used) by Operating Activities  | 36,949                                      | (10,056)            | 26,893              |
| <b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>   |   |                     |                     |
| Transfer to other funds   | -   | (216,321)           | (216,321)           |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                |   |                     |                     |
| Capital Contributions   | 1,150,905                                   | 408,678             | 1,559,583           |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |   |                     |                     |
| Interest Earned   | 89,354                                      | 39,821              | 129,175             |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 1,277,208                                   | 222,122             | 1,499,330           |
| Cash and Cash Equivalents, Beginning  | 1,263,539                                   | 783,347             | 2,046,886           |
| Cash and Cash Equivalents, Ending   | <u>\$ 2,540,747</u>                         | <u>\$ 1,005,469</u> | <u>\$ 3,546,216</u> |
| <b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b> |   |                     |                     |
| Operating Income (Loss)   | \$ (153,440)                                | \$ (192,378)        | \$ (345,818)        |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |   |                     |                     |
| Depreciation and Amortization Expense   | 78,178                                      | 124,096             | 202,274             |
| (Increase) Decrease in Accounts Receivable  | 57,733                                      | -                   | 57,733              |
| (Increase) Decrease in Notes Receivable   | 98,554                                      | 77,880              | 176,434             |
| (Increase) Decrease in Due from Other Funds   | (57,733)                                    | (42,769)            | (100,502)           |
| (Increase) Decrease in Due from Other Units   | -   | 42,771              | 42,771              |
| (Increase) Decrease in Prepaid Expenses   | 579   | -                   | 579                 |
| Increase (Decrease) in Accounts Payable   | 5,533                                       | 225                 | 5,758               |
| Increase (Decrease) in Contracts Payable  | -   | 6,000               | 6,000               |
| Increase (Decrease) in Due to Other Funds   | 86,656                                      | 52,000              | 138,656             |
| Increase (Decrease) in Deferred Revenue   | (79,111)                                    | (77,881)            | (156,992)           |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 36,949</u>                            | <u>\$ (10,056)</u>  | <u>\$ 26,893</u>    |

**CHARTER TOWNSHIP OF LYON**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2007**

|                               | Agency Funds          |                   |
|-------------------------------|-----------------------|-------------------|
|                               | <u>Tax Collection</u> | <u>Escrow</u>     |
| <b><u>ASSETS</u></b>          |                       |                   |
| Cash                          | \$ <u>3,725,082</u>   | \$ <u>789,941</u> |
| <br><b><u>LIABILITIES</u></b> |                       |                   |
| Due to Other Funds            | \$ 163,098            | \$ -              |
| Due to Other                  | <u>3,561,984</u>      | <u>789,941</u>    |
| Total Liabilities             | \$ <u>3,725,082</u>   | \$ <u>789,941</u> |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lyon Township became a Charter Township by Board resolution on January 16, 1980. The Township is operated under a Board of Trustees/Superintendent form of government and provides the following services as authorized by law: public safety (police and fire), library, recreation, public improvements, building, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the Charter Township of Lyon and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Township's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a December 31, 2007 year end.

*Discretely Presented Component Units*

The Township established the Charter Township of Lyon Downtown Development Authority (DDA) in 1999. The DDA Board is comprised of the Township Supervisor and 8 members appointed by the Township Board. The Township Superintendent serves as the Executive Director of the DDA. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain Township Board approval for all development and financing plans. The annual operating budget and any modifications also require the approval of the Township Board. The DDA is a discretely presented component unit of the Township, which is reported in a separate column in the combined financial statements and has a December 31 fiscal year end.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Special Revenue Fund is used to account for the voted police millages and the related expenditures.

The West Grand River Sewer Debt Service Fund, the West Pontiac Trail Sewer Debt Service Fund, the Mill River Water & Sewer Debt Service Fund, and the Southwest Water & Sewer Debt Service Fund were established to account for the special assessment collections and related debt service payment for certain infrastructure improvements.

The Southwest Water & Sewer Construction Fund is used to account for the special assessment bond proceeds and the related construction expenditures for the respective projects.

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds account for bond proceeds and the related construction expenditures for the respective projects.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund type:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Township has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Township's enterprise funds are the Water and Sewer Funds, which are reported as major funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity by the Township or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded as follows:

|                                      | <u>Taxes</u><br><u>Receivable</u> | <u>Accounts</u><br><u>Receivable</u> |
|--------------------------------------|-----------------------------------|--------------------------------------|
| Total                                | \$ 279,318                        | \$1,216,451                          |
| Less Allowance for Doubtful Accounts | <u>-</u>                          | <u>-</u>                             |
| Net Realizable Value                 | <u>\$ 279,318</u>                 | <u>\$1,216,451</u>                   |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>  | <u>Years</u> |
|----------------|--------------|
| Buildings      | 10-25        |
| Equipment      | 5-15         |
| Infrastructure | 15-50        |

4. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.



CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$65,611,000 difference are as follows:

|  |                      |
|--|----------------------|
| General Obligation Bonds and Contracts Payable | \$ 70,670,001        |
| Less: Debt principal paid in 2007              | <u>(5,059,001)</u>   |
|  | <u>\$ 65,611,000</u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$4,399,016 difference are as follows:

|                      |                     |
|----------------------|---------------------|
| Capital Outlay       | \$ 6,062,475        |
| Depreciation Expense | <u>(1,663,459)</u>  |
|                      | <u>\$ 4,399,016</u> |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities – Continued

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$5,059,001 difference are as follows:

|                           |                     |
|---------------------------|---------------------|
| Debt Principal Repayments | <u>\$ 5,059,001</u> |
|---------------------------|---------------------|

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. In accordance with State law, prior to December 16, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the departmental basis.
2. Public hearings are conducted to obtain taxpayer comment.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

3. Prior to December 16, the budget is legally enacted through passage of a budget resolution (general appropriation act).
4. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Proprietary Fund budgets are prepared on a non-GAAP method.
6. Budget appropriations lapse at year end.
7. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
8. Budgeted amounts are reported as originally adopted and as amended by the Township Board.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the Township's funds have a deficit fund balance as of December 31, 2007.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The following departments had excess expenditures over appropriations:

|                     | <u>Actual</u> | <u>Final<br/>Budget</u> | <u>Excess Expenditures<br/>Over Appropriations</u> |
|---------------------|---------------|-------------------------|--|
| General Fund:       |               |                         |  |
| Maintenance         | \$ 59,621     | \$ 57,900               | \$ 1,721   |
| Community Center    | 17,893        | 14,500                  | 3,393  |
| Planning Commission | 147,007       | 144,970                 | 2,038  |
| CDBG                | 48,125        | 40,300                  | 7,825  |
| Capital Outlay      | 13,030        | 8,000                   | 5,030  |
| Recreation          | 31,199        | 28,500                  | 2,699  |
| Road Improv. Fund   | 149,833       | 75,000                  | 74,833   |
| Library             | 234,654       | 212,001                 | 22,653   |
| Downtown Dev. Auth. | 1,818,135     | 1,264,900               | 553,235  |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools of financial institutions.

The Township has designated several banks for the deposit of funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 authorized all investments permitted by PA 20. The Charter Township of Lyon's deposit and investment policies are in accordance with statutory authorities.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township's book balance of its deposits was \$31,587,462. The bank balance was \$31,404,155 which was exposed to custodial credit risk as follows:

|                                | <u>Bank Balance</u>  |
|--------------------------------|----------------------|
| Insured by F.D.I.C.            | \$ 646,400           |
| Uninsured and Uncollateralized | <u>30,757,755</u>    |
| Total                          | <u>\$ 31,404,155</u> |

A reconciliation of cash for the primary government follows:

|                                |                      |
|--------------------------------|----------------------|
| Cash and Cash Equivalents per: |                      |
| Statement of Net Assets        | \$ 27,072,439        |
| Agency Funds                   | <u>4,515,023</u>     |
| Total                          | <u>\$ 31,587,462</u> |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Custodial Credit Risk of Bank Deposits – Continued

At December 31, 2007 the carrying amount and bank balances of the component unit of the Charter Township of Lyon are as follows:

|                                | <u>Carrying<br/>Amount</u> | <u>Bank<br/>Balance</u> | <u>FDIC<br/>Insured</u> |
|--------------------------------|----------------------------|-------------------------|-------------------------|
| Downtown Development Authority | \$3,142,903                | \$3,024,162             | \$ 100,000              |

The Township believes that due to the dollar amounts of cash deposits and the limits of F.D.I.C. insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's and the Component Unit's deposits and investments consisted of the following:

|                               | <u>Fair Value</u> | <u>Weighted Average<br/>Maturity</u> |
|-------------------------------|-------------------|--------------------------------------|
| Primary Government:           |                   |                                      |
| Savings and Checking Accounts | \$ 46,402         | Demand                               |
| Bank Investment Pool          | \$25,267,140      | Demand                               |
| Certificates of Deposit       | \$ 6,090,613      | 48 days                              |
| Component Units:              |                   |                                      |
| Bank Investment Pool          | \$ 772,685        | Demand                               |
| Money Market Fund             | \$ 1,435,343      | Demand                               |
| Certificates of Deposit       | \$ 816,134        | 30 days                              |

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments, and certificates of deposit, all of which are not rated.

Concentration of Credit Risk

The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

|                                    | Beginning<br>Balance | Additions           | Deletions   | Ending<br>Balance    |
|------------------------------------|----------------------|---------------------|-------------|----------------------|
| Governmental Activities:           |                      |                     |             |                      |
| Capital Assets, not depreciated:   |                      |                     |             |                      |
| Land                               | \$ 329,274           | \$ -                | \$ -        | \$ 329,274           |
| Capital Assets, being depreciated: |                      |                     |             |                      |
| Land Improvements                  | 411,170              | -                   | -           | 411,170              |
| Building                           | 5,674,549            | 5,850               | -           | 5,680,399            |
| Machinery and Equipment            | 1,896,015            | 7,180               | -           | 1,903,195            |
| Infrastructure                     | 65,752,165           | 6,049,445           | -           | 71,801,610           |
|                                    | <u>73,733,899</u>    | <u>6,062,475</u>    | <u>-</u>    | <u>79,796,374</u>    |
| Less: Accumulated Depreciation:    |                      |                     |             |                      |
| Land Improvements                  | (396,503)            | -                   | -           | (396,503)            |
| Building                           | (2,225,716)          | (254,570)           | -           | (2,480,286)          |
| Machinery and Equipment            | (1,177,513)          | (122,500)           | -           | (1,300,013)          |
| Infrastructure                     | (717,177)            | (1,286,389)         | -           | (2,003,566)          |
|                                    | <u>(4,516,909)</u>   | <u>(1,663,459)</u>  | <u>-</u>    | <u>(6,180,368)</u>   |
| Governmental Activities            |                      |                     |             |                      |
| Capital Assets, net                | <u>\$ 69,546,264</u> | <u>\$ 4,399,016</u> | <u>\$ -</u> | <u>\$ 73,945,280</u> |

Depreciated expense was charged to functions programs of the primary government as follows:

|                         |                    |
|-------------------------|--------------------|
| General Government      | \$ 71,999          |
| Public Safety           | 245,517            |
| Public Works            | 1,281,752          |
| Recreation and Cultural | <u>64,191</u>      |
|                         | <u>\$1,663,459</u> |

|                                    | Beginning<br>Balance | Additions           | Deletions   | Ending<br>Balance   |
|------------------------------------|----------------------|---------------------|-------------|---------------------|
| Business-type Activities:          |                      |                     |             |                     |
| Capital Assets, being depreciated: |                      |                     |             |                     |
| Infrastructure                     | \$ 10,113,566        | \$ -                | \$ -        | \$ 10,113,566       |
| Less: Accumulated Depreciation:    |                      |                     |             |                     |
| Infrastructure                     | (987,840)            | (202,274)           | -           | (1,190,114)         |
| Business-type Activities           |                      |                     |             |                     |
| Capital Assets, net                | <u>\$ 9,125,726</u>  | <u>\$ (202,274)</u> | <u>\$ -</u> | <u>\$ 8,923,452</u> |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

| <u>Receivable Fund</u>             | <u>Payable Fund</u>                   | <u>Amount</u>       |
|------------------------------------|---------------------------------------|---------------------|
| General Fund                       | Park                                  | \$ 57,395           |
| General Fund                       | Library                               | 35,740              |
| General Fund                       | Mill River Water & Sewer Construction | 6,898               |
| General Fund                       | Fire Station Construction             | 7,680               |
| General Fund                       | Woodwind Well #3 Construction         | 1,500               |
| General Fund                       | Martindale Water Construction         | 15,355              |
| General Fund                       | West Pontiac Tr Sewer Construction    | 418,908             |
| General Fund                       | West Pontiac Tr Water Construction    | 56,770              |
| General Fund                       | Southwest Water & Sewer Construction  | 437,467             |
| General Fund                       | 11 Mile Construction                  | 8,688               |
| General Fund                       | Water Enterprise                      | 136,336             |
| General Fund                       | Sewer Enterprise                      | 586,452             |
| General Fund                       | Tax Collection                        | 37,428              |
| West Grand River Sewer Debt        | Tax Collection                        | 25,168              |
| Woodwind Well Gen Oblig Debt       | Woodwind Well SA Debt                 | 2,233               |
| West Pontiac Tr Sewer Construction | West Pontiac Tr Water Construction    | 55,869              |
| Central Gr Riv Sewer Debt          | Central Gr Riv Sewer Construction     | 145,550             |
| 11 Mile Road Debt                  | 11 Mile Road Construction             | 73,537              |
| Fire Station Construction          | General Fund                          | 11,921              |
| Southwest Construction             | Mill River Water & Sewer Construction | 40,440              |
| Central Gr Riv Sewer Construction  | General Fund                          | 373                 |
| Central Gr Riv Sewer Construction  | Sewer Enterprise                      | 5,270               |
| Water Enterprise                   | Sewer Enterprise                      | 3,053               |
| Water Enterprise                   | Tax Collection                        | 42,769              |
| Sewer Enterprise                   | Tax Collection                        | 57,733              |
|                                    |                                       | <u>\$ 2,270,533</u> |
| Component Unit:                    |                                       |                     |
| General Fund                       | Downtown Dev. Authority               | <u>\$ 440,247</u>   |

The interfund balances represent routine and temporary cash flow assistance.

| <u>Transfers In</u>           | <u>Transfers Out</u> |                   |
|-------------------------------|----------------------|-------------------|
| Library                       | General Fund         | \$ 181,000        |
| Woodwind Well GO Debt         | Water Enterprise     | 127,322           |
| Woodwind Well #3 GO Debt      | Water Enterprise     | 6,592             |
| West Pontiac Tr Water GO Debt | Water Enterprise     | 82,407            |
|                               |                      | <u>\$ 397,321</u> |

The transfer from the General Fund to the Library is to assist with Library operations.

The transfers to the debt funds from the Water Enterprise Fund are to fund the respective annual debt payments.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2007:

|                          | Balance<br>Jan 1, 2007 | Additions   | Reductions          | Balance<br>Dec 31, 2007 | Due Within<br>One Year |
|--------------------------|------------------------|-------------|---------------------|-------------------------|------------------------|
| Governmental Activities: |                        |             |                     |                         |                        |
| Installment Notes        | \$ 25,001              | \$ -        | \$ 25,001           | \$ -                    | \$ -                   |
| General Obligation Bonds | 4,695,000              | -           | 289,000             | 4,406,000               | 289,000                |
| Special Assessment Bonds | 65,950,000             | -           | 4,745,000           | 61,205,000              | 4,890,000              |
|                          | <u>\$ 70,670,001</u>   | <u>\$ -</u> | <u>\$ 5,059,001</u> | <u>\$ 65,611,000</u>    | <u>\$ 5,179,000</u>    |

The following is a summary of general obligation debt outstanding:

|                           | Number<br>of Issues | Interest<br>Rate | Maturing<br>Through | Principal<br>Outstanding |
|---------------------------|---------------------|------------------|---------------------|--------------------------|
| Governmental Activities:  |                     |                  |                     |                          |
| General Obligation Bonds  | 3                   | 3.00%-5.40%      | 2019                | \$ 4,406,000             |
| Special Assessments Bonds | 18                  | 2.75%-5.90%      | 2027                | 61,205,000               |
|                           |                     |                  |                     | <u>\$ 65,611,000</u>     |

The annual debt service requirements to maturity for debt outstanding as of December 31, 2007 is as follows:

| Year Ended | Governmental Activities |                      |
|------------|-------------------------|----------------------|
|            | Principal               | Interest             |
| 2008       | \$ 5,179,000            | \$ 2,653,444         |
| 2009       | 5,640,000               | 2,460,366            |
| 2010       | 5,780,000               | 2,246,046            |
| 2011       | 5,916,000               | 2,021,202            |
| 2012       | 6,096,000               | 1,786,619            |
| 2013-2017  | 19,740,000              | 5,864,525            |
| 2018-2022  | 10,160,000              | 2,676,530            |
| 2023-2027  | 7,100,000               | 861,226              |
|            | <u>\$ 65,611,000</u>    | <u>\$ 20,569,958</u> |



CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at December 31, 2007, is presented below:

| <u>Fund Balance</u> | <u>General</u>      | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
|---------------------|---------------------|----------------------------|-------------------------|-----------------------------|
| Reserved for:       |                     |                            |                         |                             |
| Debt Service        | \$ -                | \$ -                       | \$ 6,318,887            | \$ -                        |
| Capital Projects    | -                   | -                          | -                       | 13,890,366                  |
| Total Reserved      | -                   | -                          | 6,318,887               | 13,890,366                  |
| Unreserved:         |                     |                            |                         |                             |
| Designated for:     |                     |                            |                         |                             |
| Subsequent Year     | 125,891             | 320,687                    | -                       | -                           |
| Undesignated        | 2,597,734           | 994,882                    | -                       | -                           |
| Total Fund Balance  | \$ <u>2,723,625</u> | \$ <u>1,315,569</u>        | \$ <u>6,318,887</u>     | \$ <u>13,890,366</u>        |

F. Property Taxes

Property taxes are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levies for the Township are detailed below:

| <u>Purpose</u> | <u>Authorization</u> | <u>Authorized<br/>Rate (Pre<br/>Rollback)*</u> | <u>Authorized<br/>Rate (Post<br/>Rollback)*</u> | <u>Rate<br/>Levied</u> |
|----------------|----------------------|--|---|------------------------|
| Operating      | State Law            | 1.4100   | .9990   | .9990                  |
| Police         | Voter Approved       | 2.5000   | 2.1291  | 2.1291                 |
| Police         | Voter Approved       | .7500  | .6385   | .6385                  |
| Fire Debt      | Voter Approved       | .8000  | .8000   | .4334                  |
| Total          |                      |  |   | <u>4.2000</u>          |

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

V. OTHER INFORMATION

A. Defined Contribution Plan

Beginning in fiscal year 1997, the Township began providing pension benefits to all of its full-time salaried employees through a defined contribution plan administered by Midwest Pension Actuaries. The plan assets are invested through Scudder Funds. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full time salaried employees are eligible to participate from the date of employment and are fully vested immediately. As established by Board resolution, the Township contributes 10% of employees' gross earnings annually to the plan. The plan may be amended by Board resolution. The Township's current year contribution was \$58,905.

B. Post Retirement Health Care Benefits

The Township provides health care benefits to two retirees in accordance with the Township's ordinance. The Township includes these retirees in its insured health care plan, with no contribution required by the participant. Expenditures for post employment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to \$12,550.

C. Risk Management

The Township purchases insurance coverage through traditional means. The Township's property and liability and workers compensation coverages are on file in the Risk Manager's office.

D. Joint Ventures

Western Oakland Trailway Management Council

The Township is a member of the Western Oakland Trailway Management Council, along with the City of South Lyon, the Charter Township of Milford, and the Huron Clinton Metropolitan Authority. The Council was formed to extend a trail for non-motorized use across and through Lyon and Milford Townships and on Huron Clinton Metropolitan Authority property. The Township shares in the costs of the Council on a pro rata basis. Complete financial statements for the Western Oakland Trailway Management Council can be obtained from the City of South Lyon, City Manager's Office, 335 S. Warren Street, South Lyon, Michigan, 48178.

CHARTER TOWNSHIP OF LYON  
Notes to Financial Statements  
December 31, 2007

V. OTHER INFORMATION – Continued

D. Joint Ventures – Continued

South Lyon Area Recreation Council

The Township participates in the South Lyon Area Recreation Council, along with the City of South Lyon and the Township of Green Oak. The Council provides public recreation programs and facilities to the residents of the participating communities. The Township appoints one member of the Council's Board and contributes 43.06% of the expenses. During fiscal year 2007, the Township expensed approximately \$18,809 of payments made to the Council. Complete financial statements for the South Lyon Area Recreation Council can be obtained from the South Lyon Area Recreation Council office at 214 W. Lake Street, South Lyon, Michigan 48178.

REQUIRED SUPPLEMENTARY INFORMATION

**CHARTER TOWNSHIP OF LYON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2007**

|                                  | Budgeted Amounts |                  |                  | Variance with  |
|----------------------------------|------------------|------------------|------------------|----------------|
|                                  | Original         | Final            | Actual           | Final Budget   |
| Revenues:                        |                  |                  |                  |                |
| Property Taxes                   | \$ 625,000       | \$ 625,000       | \$ 616,730       | \$ (8,270)     |
| Licenses and Permits             | 3,100            | 3,100            | 3,752            | 652            |
| Intergovernmental - Federal/CDBG | 24,700           | 24,700           | 28,960           | 4,260          |
| Intergovernmental - State        | 806,535          | 806,535          | 778,053          | (28,482)       |
| Charges for Services             | 316,800          | 316,800          | 372,337          | 55,537         |
| Fines and Forfeitures            | 30,000           | 30,000           | 31,351           | 1,351          |
| Franchise Fees                   | 90,000           | 90,000           | 111,495          | 21,495         |
| Interest                         | 117,300          | 117,300          | 189,023          | 71,723         |
| Other                            | 47,900           | 47,900           | 64,364           | 16,464         |
| Total Revenues                   | <u>2,061,335</u> | <u>2,061,335</u> | <u>2,196,065</u> | <u>134,730</u> |
| Expenditures:                    |                  |                  |                  |                |
| General Government:              |                  |                  |                  |                |
| Township Board                   | 19,500           | 19,500           | 19,493           | 7              |
| Township Supervisor              | 15,714           | 15,714           | 13,982           | 1,732          |
| Township Superintendent          | 130,382          | 51,955           | 51,955           | -              |
| Township Clerk                   | 151,300          | 151,300          | 138,673          | 12,627         |
| Township Treasurer               | 138,500          | 138,500          | 138,482          | 18             |
| Tax Collection                   | 15,500           | 15,500           | 15,177           | 323            |
| Elections                        | 28,000           | 28,000           | 11,268           | 16,732         |
| Customer Service                 | 51,300           | 51,300           | 46,533           | 4,767          |
| Building and Grounds             | 86,000           | 106,000          | 97,594           | 8,406          |
| Cemetery                         | 8,000            | 8,000            | 6,801            | 1,199          |
| Assessing                        | 120,000          | 120,000          | 105,558          | 14,442         |
| Board of Review                  | 2,400            | 2,400            | 1,688            | 712            |
| Professional Fees                | 110,800          | 110,800          | 92,339           | 18,461         |
| Maintenance                      | 57,900           | 57,900           | 59,621           | (1,721)        |
| Community Center                 | 14,500           | 14,500           | 17,893           | (3,393)        |
| Total General Government         | <u>949,796</u>   | <u>891,369</u>   | <u>817,057</u>   | <u>74,312</u>  |
| Public Safety:                   |                  |                  |                  |                |
| Fire Department                  | <u>615,500</u>   | <u>615,500</u>   | <u>553,061</u>   | <u>62,439</u>  |
| Planning and Zoning:             |                  |                  |                  |                |
| Planning Commission              | 144,970          | 144,970          | 147,008          | (2,038)        |
| Code Enforcement                 | 48,000           | 48,000           | 29,374           | 18,626         |
| Board of Appeals                 | 8,700            | 8,700            | 3,461            | 5,239          |
| Total Planning and Zoning        | <u>201,670</u>   | <u>201,670</u>   | <u>179,843</u>   | <u>21,827</u>  |
| Public Works:                    |                  |                  |                  |                |
| Streets                          | 45,000           | 47,000           | 44,036           | 2,964          |
| Street Lighting                  | 8,000            | 8,000            | 7,200            | 800            |
| Engineering                      | 25,000           | 28,000           | 27,336           | 664            |
| Drains                           | 10,000           | 10,000           | 6,015            | 3,985          |
| Total Public Works               | <u>88,000</u>    | <u>93,000</u>    | <u>84,587</u>    | <u>8,413</u>   |

(continued)

**CHARTER TOWNSHIP OF LYON**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2007**

|  | Budgeted Amounts |              |              | Variance with |
|--|------------------|--------------|--------------|---------------|
|  | Original         | Final        | Actual       | Final Budget  |
| Expenditures (continued):                            |                  |              |              |               |
| Health and Welfare:                                  |                  |              |              |               |
| Youth Guidance                                       | \$ 6,000         | \$ 6,000     | \$ 6,000     | \$ -          |
| Citizen Programs                                     | 29,500           | 40,300       | 48,125       | (7,825)       |
| Total Health and Welfare                             | 35,500           | 46,300       | 54,125       | (7,825)       |
| Recreation   | 28,500           | 28,500       | 31,199       | (2,699)       |
| Insurance and Bonds                                  | 212,000          | 212,000      | 172,141      | 39,859        |
| Other Functions                                      | 35,799           | 36,799       | 21,675       | 15,124        |
| Debt Service:  |                  |              |              |               |
| Principal  | 25,001           | 25,001       | 25,001       | -             |
| Interest   | 4,499            | 4,499        | 869          | 3,630         |
| Total Debt Service                                   | 29,500           | 29,500       | 25,870       | 3,630         |
| Capital Outlay                                       | -                | 8,000        | 13,030       | (5,030)       |
| Total Expenditures                                   | 2,196,265        | 2,162,638    | 1,952,588    | 210,050       |
| Excess (Deficiency) of<br>Revenues Over Expenditures | (134,930)        | (101,303)    | 243,477      | 344,780       |
| Other Financing Uses:                                |                  |              |              |               |
| Operating Transfers Out                              | (181,000)        | (181,000)    | (181,000)    | -             |
| Net Change in Fund Balance                           | \$ (315,930)     | \$ (282,303) | 62,477       | \$ 344,780    |
| Fund Balance - January 1                             |                  |              | 2,661,148    |               |
| Fund Balance - December 31                           |                  |              | \$ 2,723,625 |               |

**CHARTER TOWNSHIP OF LYON**  
**Police Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2007**

|                            | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Variance with</u> |
|----------------------------|-------------------------|------------------|-------------------|----------------------|
|                            | <u>Original</u>         | <u>Final</u>     |                   | <u>Final Budget</u>  |
| Revenues:                  |                         |                  |                   |                      |
| Property Taxes             | \$ 1,648,000            | \$ 1,648,000     | \$ 1,668,718      | \$ 20,718            |
| Licenses and Permits       | 8,000                   | 8,000            | 8,046             | 46                   |
| Charges for Services       | 4,000                   | 4,000            | 25,135            | 21,135               |
| Total Revenues             | <u>1,660,000</u>        | <u>1,660,000</u> | <u>1,701,899</u>  | <u>41,899</u>        |
| Expenditures:              |                         |                  |                   |                      |
| Professional Services      | 1,570,300               | 1,570,300        | 1,501,266         | 69,034               |
| Other                      | 49,700                  | 49,700           | 52,400            | (2,700)              |
| Total Expenditures         | <u>1,620,000</u>        | <u>1,620,000</u> | <u>1,553,666</u>  | <u>66,334</u>        |
| Net Change in Fund Balance | \$ <u>40,000</u>        | \$ <u>40,000</u> | 148,233           | \$ <u>108,233</u>    |
| Fund Balance - January 1   |                         |                  | <u>155,160</u>    |                      |
| Fund Balance - December 31 |                         |                  | \$ <u>303,393</u> |                      |

CHARTER TOWNSHIP OF LYON  
West Grand River Sewer Special Assessment Debt Service Fund  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended December 31, 2007

|  |                     |
|--|---------------------|
| Revenues:  |                     |
| Special Assessments                                  | \$ 826,624          |
| Interest   | <u>122,291</u>      |
| Total Revenues                                       | <u>948,915</u>      |
| Expenditures:  |                     |
| Principal Retirement                                 | 500,000             |
| Interest and Fees                                    | <u>381,160</u>      |
| Total Expenditures                                   | <u>881,160</u>      |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 67,755              |
| Fund Balance - January 1                             | <u>2,833,433</u>    |
| Fund Balance - December 31                           | <u>\$ 2,901,188</u> |



**CHARTER TOWNSHIP OF LYON**  
**West Pontiac Trail Sewer Special Assessment Debt Service Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended December 31, 2007**

|  |                     |
|--|---------------------|
| Revenues:  |                     |
| Special Assessments                                  | \$ 1,274,788        |
| Interest   | <u>90,321</u>       |
| Total Revenues                                       | <u>1,365,109</u>    |
| Expenditures:  |                     |
| Principal Retirement                                 | 605,000             |
| Interest and Fees                                    | <u>206,530</u>      |
| Total Expenditures                                   | <u>811,530</u>      |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 553,579             |
| Fund Balance - January 1                             | <u>1,409,119</u>    |
| Fund Balance - December 31                           | <u>\$ 1,962,698</u> |

**CHARTER TOWNSHIP OF LYON**  
**Mill River Water & Sewer Special Assessment Debt Service Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended December 31, 2007**

|  |                          |
|--|--------------------------|
| Revenues:  |                          |
| Special Assessments                                  | \$ 1,149,334             |
| Interest   | <u>8,738</u>             |
| Total Revenues                                       | <u>1,158,072</u>         |
| Expenditures:  |                          |
| Principal Retirement                                 | 400,000                  |
| Interest and Fees                                    | <u>325,362</u>           |
| Total Expenditures                                   | <u>725,362</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 432,710                  |
| Fund Balance - January 1                             | <u>36,469</u>            |
| Fund Balance - December 31                           | <u><u>\$ 469,179</u></u> |

CHARTER TOWNSHIP OF LYON  
Southwest Water and Sewer Special Assessment Debt Service Fund  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended December 31, 2007

|                                 |    |                       |
|---------------------------------|----|-----------------------|
| Revenues:                       |    |                       |
| Special Assessments             | \$ | 239,287               |
| Interest                        |    | 46,260                |
| Total Revenues                  |    | <u>285,547</u>        |
| Expenditures:                   |    |                       |
| Principal Retirement            |    | -                     |
| Interest and Fees               |    | -                     |
| Total Expenditures              |    | <u>-</u>              |
| Excess (Deficiency) of Revenues |    |                       |
| Over Expenditures               |    | 285,547               |
| Fund Balance - January 1        |    | <u>44,817</u>         |
| Fund Balance - December 31      | \$ | <u><u>330,364</u></u> |

**CHARTER TOWNSHIP OF LYON**  
**Southwest Water and Sewer Construction Fund**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended December 31, 2007**

|  |                            |
|--|----------------------------|
| Revenues:  |                            |
| Interest   | \$ <u>427,093</u>          |
| Expenditures:  |                            |
| Construction   | 5,606,047                  |
| Debt Service:  |                            |
| Principal  | -                          |
| Interest   | <u>490,965</u>             |
| Total Expenditures                                   | <u>6,097,012</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (5,669,919)                |
| Fund Balance - January 1                             | <u>10,770,518</u>          |
| Fund Balance - December 31                           | \$ <u><u>5,100,599</u></u> |

OTHER SUPPLEMENTARY INFORMATION

**CHARTER TOWNSHIP OF LYON**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

|  | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Project</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------|-------------------------|----------------------------|--|
| <b><u>ASSETS</u></b>                           |                            |                         |                            |  |
| Cash and Cash Equivalents                      | \$ 1,094,220               | \$ 7,032,461            | \$ 2,194,626               | \$ 10,321,307  |
| Accounts Receivable                            | 31,431                     | 976,300                 | -                          | 1,007,731  |
| Special Assessments Receivable                 | -                          | 16,172,444              | -                          | 16,172,444   |
| Due from Other Funds                           | -                          | 221,320                 | 73,433                     | 294,753  |
| Prepaid Expenditures                           | <u>8,582</u>               | <u>-</u>                | <u>-</u>                   | <u>8,582</u>   |
| Total Assets                                   | <u>\$ 1,134,233</u>        | <u>\$ 24,402,525</u>    | <u>\$ 2,268,059</u>        | <u>\$ 27,804,817</u>                                 |
| <br><b><u>LIABILITIES AND FUND BALANCE</u></b> |                            |                         |                            |  |
| Liabilities:                                   |                            |                         |                            |  |
| Accounts Payable                               | \$ 28,922                  | \$ 911                  | \$ 170,285                 | \$ 200,118   |
| Accrued Liabilities                            | -                          | -                       | 48,291                     | 48,291   |
| Due to Other Funds                             | 93,135                     | 2,233                   | 831,195                    | 926,563  |
| Deferred Revenue                               | <u>-</u>                   | <u>16,172,444</u>       | <u>-</u>                   | <u>16,172,444</u>                                    |
| Total Liabilities                              | <u>122,057</u>             | <u>16,175,588</u>       | <u>1,049,771</u>           | <u>17,347,416</u>                                    |
| Fund Balance:                                  |                            |                         |                            |  |
| Reserved for:                                  |                            |                         |                            |  |
| Capital Projects                               | -                          | -                       | 1,218,288                  | 1,218,288  |
| Debt Service                                   | -                          | 8,226,937               | -                          | 8,226,937  |
| Unreserved                                     | <u>1,012,176</u>           | <u>-</u>                | <u>-</u>                   | <u>1,012,176</u>                                     |
| Total Fund Balance                             | <u>1,012,176</u>           | <u>8,226,937</u>        | <u>1,218,288</u>           | <u>10,457,401</u>                                    |
| Total Liabilities and Fund Balance             | <u>\$ 1,134,233</u>        | <u>\$ 24,402,525</u>    | <u>\$ 2,268,059</u>        | <u>\$ 27,804,817</u>                                 |

**CHARTER TOWNSHIP OF LYON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

|  | Special<br>Revenue  | Debt<br>Service     | Capital<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---------------------|---------------------|---------------------|--|
| <u>Revenues:</u>                                     |                     |                     |                     |  |
| Property Taxes                                       | \$ -                | \$ 261,111          | \$ -                | \$ 261,111                                 |
| Special Assessments                                  | -                   | 3,988,897           | -                   | 3,988,897                                  |
| Intergovernmental                                    | 45,394              | -                   | -                   | 45,394                                     |
| Charges for Services                                 | 650,321             | -                   | 5,670               | 655,991                                    |
| Interest   | 29,319              | 325,621             | 107,633             | 462,573                                    |
| Total Revenues                                       | <u>725,034</u>      | <u>4,575,629</u>    | <u>113,303</u>      | <u>5,413,966</u>                           |
| <u>Expenditures:</u>                                 |                     |                     |                     |  |
| Public Safety  | 424,303             | -                   | -                   | 424,303                                    |
| Public Works   | 149,833             | -                   | -                   | 149,833                                    |
| Recreation and Cultural                              | 329,347             | -                   | -                   | 329,347                                    |
| Debt Service:  |                     |                     |                     |  |
| Principal  | -                   | 3,529,000           | -                   | 3,529,000                                  |
| Interest and Other Charges                           | -                   | 1,129,742           | -                   | 1,129,742                                  |
| Capital Outlay                                       | -                   | -                   | 443,398             | 443,398                                    |
| Total Expenditures                                   | <u>903,483</u>      | <u>4,658,742</u>    | <u>443,398</u>      | <u>6,005,623</u>                           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(178,449)</u>    | <u>(83,113)</u>     | <u>(330,095)</u>    | <u>(591,657)</u>                           |
| <u>Other Financing Sources (Uses):</u>               |                     |                     |                     |  |
| Operating Transfers In                               | 181,000             | 216,321             | -                   | 397,321                                    |
| Operating Transfers Out                              | -                   | -                   | -                   | -  |
| Total Other Financing Sources (Uses)                 | <u>181,000</u>      | <u>216,321</u>      | <u>-</u>            | <u>397,321</u>                             |
| Net Change in Fund Balances                          | 2,551               | 133,208             | (330,095)           | (194,336)                                  |
| Fund Balances - January 1                            | <u>1,009,625</u>    | <u>8,093,729</u>    | <u>1,548,383</u>    | <u>10,651,737</u>                          |
| Fund Balances - December 31                          | <u>\$ 1,012,176</u> | <u>\$ 8,226,937</u> | <u>\$ 1,218,288</u> | <u>\$ 10,457,401</u>                       |

**CHARTER TOWNSHIP OF LYON**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

|  | Public<br>Library | Park              | Road<br>Improvement | Building<br>Department | Total               |
|--|-------------------|-------------------|---------------------|------------------------|---------------------|
| <b><u>ASSETS</u></b>                       |                   |                   |                     |                        |                     |
| Cash                                       | \$ 68,589         | \$ 358,143        | \$ 65,907           | \$ 601,581             | \$ 1,094,220        |
| Accounts Receivable                        | -                 | 22,562            | -                   | 8,869                  | 31,431              |
| Prepaid Expenditures                       | 1,752             | -                 | -                   | 6,830                  | 8,582               |
| Total Assets                               | <u>\$ 70,341</u>  | <u>\$ 380,705</u> | <u>\$ 65,907</u>    | <u>\$ 617,280</u>      | <u>\$ 1,134,233</u> |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                   |                   |                     |                        |                     |
| Liabilities:                               |                   |                   |                     |                        |                     |
| Accounts Payable                           | \$ -              | \$ 559            | \$ 26,230           | \$ 2,133               | \$ 28,922           |
| Due to Other Funds                         | 35,740            | 57,395            | -                   | -                      | 93,135              |
| Total Liabilities                          | <u>35,740</u>     | <u>57,954</u>     | <u>26,230</u>       | <u>2,133</u>           | <u>122,057</u>      |
| Fund Balance:                              |                   |                   |                     |                        |                     |
| Unreserved:                                |                   |                   |                     |                        |                     |
| Undesignated                               | 34,601            | 322,751           | 39,677              | 615,147                | 1,012,176           |
| Total Liabilities and Fund Balance         | <u>\$ 70,341</u>  | <u>\$ 380,705</u> | <u>\$ 65,907</u>    | <u>\$ 617,280</u>      | <u>\$ 1,134,233</u> |



**CHARTER TOWNSHIP OF LYON**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2007**

|   | Public<br>Library | Park              | Road<br>Improvement | Building<br>Department | Total               |
|---|-------------------|-------------------|---------------------|------------------------|---------------------|
| Revenues:   |                   |                   |                     |                        |                     |
| Intergovernmental - State   | \$ 8,727          | \$ -              | \$ -                | \$ -                   | \$ 8,727            |
| Intergovernmental - Local   | -                 | -                 | 36,667              | -                      | 36,667              |
| Charges for Services  | 13,242            | 74,858            | -                   | 541,870                | 629,970             |
| Fines   | 20,351            | -                 | -                   | -                      | 20,351              |
| Interest  | 4,725             | 17,778            | 6,816               | -                      | 29,319              |
| Total Revenues  | <u>47,045</u>     | <u>92,636</u>     | <u>43,483</u>       | <u>541,870</u>         | <u>725,034</u>      |
| Expenditures:   |                   |                   |                     |                        |                     |
| Public Safety   | -                 | -                 | -                   | 424,303                | 424,303             |
| Public Works  | -                 | -                 | 149,833             | -                      | 149,833             |
| Recreation and Cultural   | 234,654           | 94,693            | -                   | -                      | 329,347             |
| Total Expenditures  | <u>234,654</u>    | <u>94,693</u>     | <u>149,833</u>      | <u>424,303</u>         | <u>903,483</u>      |
| Excess (Deficiency) of<br>Revenues Over Expenditures                                | (187,609)         | (2,057)           | (106,350)           | 117,567                | (178,449)           |
| Other Financing Sources:  |                   |                   |                     |                        |                     |
| Operating Transfers In  | <u>181,000</u>    | <u>-</u>          | <u>-</u>            | <u>-</u>               | <u>181,000</u>      |
| Excess (Deficiency) of Revenues<br>and Other Financing Sources<br>Over Expenditures | (6,609)           | (2,057)           | (106,350)           | 117,567                | 2,551               |
| Fund Balance - January 1  | <u>41,210</u>     | <u>324,808</u>    | <u>146,027</u>      | <u>497,580</u>         | <u>1,009,625</u>    |
| Fund Balance - December 31  | <u>\$ 34,601</u>  | <u>\$ 322,751</u> | <u>\$ 39,677</u>    | <u>\$ 615,147</u>      | <u>\$ 1,012,176</u> |

**CHARTER TOWNSHIP OF LYON**  
**Nonmajor Debt Service Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

|  | 1998 Water<br>Special<br>Assessment | 1998 Sewer<br>Special<br>Assessment | Carriage Club<br>Sewer Special<br>Assessment | Fire Station<br>General<br>Obligation | Woodwind<br>Sewer Special<br>Assessment | West Grand<br>River Water<br>Special<br>Assessment | New Hudson<br>Drive Special<br>Assessment | New Hudson<br>Drive #2<br>Special<br>Assessment | Central Grand<br>River Sewer<br>Special<br>Assessment |
|--|-------------------------------------|-------------------------------------|--|---------------------------------------|---|--|---|---|---|
| <b><u>ASSETS</u></b>                       |                                     |                                     |  |                                       |   |  |   |   |   |
| Cash                                       | \$ 640,857                          | \$ 39,243                           | \$ 327,696                                   | \$ 37,347                             | \$ 1,371,275                            | \$ 406,585   | \$ 92,697                                 | \$ 166,474                                      | \$ 1,686,263  |
| Accounts Receivable                        | 93,994                              | 26,982                              | -  | 26,196                                | 427,611                                 | 54,747   | 43,003                                    | 87,513  | 17,930  |
| Special Assessment Receivable:             |                                     |                                     |  |                                       |   |  |   |   |   |
| Current                                    | 190,683                             | 107,300                             | 43,992                                       | -                                     | 257,982                                 | 96,045   | 69,297                                    | 101,438   | 660,362   |
| Deferred                                   | 1,176,437                           | -                                   | 39,539                                       | -                                     | 581,427                                 | 462,074  | 172,551                                   | 268,224   | 2,156,549   |
| Due from Other Funds                       | -                                   | -                                   | -  | -                                     | -                                       | -  | -   | -   | 145,550   |
| Total Assets                               | <u>\$ 2,101,971</u>                 | <u>\$ 173,525</u>                   | <u>\$ 411,227</u>                            | <u>\$ 63,543</u>                      | <u>\$ 2,638,295</u>                     | <u>\$ 1,019,451</u>                                | <u>\$ 377,548</u>                         | <u>\$ 623,649</u>                               | <u>\$ 4,666,654</u>                                   |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                                     |                                     |  |                                       |   |  |   |   |   |
| Liabilities:                               |                                     |                                     |  |                                       |   |  |   |   |   |
| Accounts Payable                           | \$ -                                | \$ 150                              | \$ 150                                       | \$ 150                                | \$ -                                    | \$ -   | \$ -                                      | \$ -  | \$ 125  |
| Due to Other Funds                         | -                                   | -                                   | -  | -                                     | -                                       | -  | -   | -   | -   |
| Deferred Revenue                           | 1,367,120                           | 107,300                             | 83,531                                       | -                                     | 839,409                                 | 558,119  | 241,848                                   | 369,662   | 2,816,911   |
| Total Liabilities                          | <u>1,367,120</u>                    | <u>107,450</u>                      | <u>83,681</u>                                | <u>150</u>                            | <u>839,409</u>                          | <u>558,119</u>                                     | <u>241,848</u>                            | <u>369,662</u>                                  | <u>2,817,036</u>                                      |
| Fund Balance:                              |                                     |                                     |  |                                       |   |  |   |   |   |
| Reserved for Debt Service                  | <u>734,851</u>                      | <u>66,075</u>                       | <u>327,546</u>                               | <u>63,393</u>                         | <u>1,798,886</u>                        | <u>461,332</u>                                     | <u>135,700</u>                            | <u>253,987</u>                                  | <u>1,849,618</u>                                      |
| Total Liabilities and Fund Balance         | <u>\$ 2,101,971</u>                 | <u>\$ 173,525</u>                   | <u>\$ 411,227</u>                            | <u>\$ 63,543</u>                      | <u>\$ 2,638,295</u>                     | <u>\$ 1,019,451</u>                                | <u>\$ 377,548</u>                         | <u>\$ 623,649</u>                               | <u>\$ 4,666,654</u>                                   |

| Pontiac Trail/<br>Martindale Road<br>Sewer Special<br>Assessment | Woodwind Well<br>General<br>Obligation | Woodwind Well<br>Special<br>Assessment | Martindale/<br>Pontiac Trail<br>Water Special<br>Assessment | West Pontiac<br>Trail Water<br>General<br>Obligation | West Pontiac<br>Trail Water<br>Special<br>Assessment | Woodwind<br>Well #3<br>General<br>Obligation | Woodwind<br>Well #3, Timber<br>Trail, Spaulding<br>Sewer Special<br>Assessment | 11 Mile Road<br>Paving &<br>Spaulding Rd<br>Water/Lyon<br>Ridge Sewer<br>Assessment | Total                              |
|--|--|--|---|--|--|--|--|---|------------------------------------|
| \$ 556,690<br>48,210   | \$ 140<br>-                            | \$ 350,388<br>131,460                  | \$ 105,801<br>-   | \$ -<br>-  | \$ 434,495<br>-                                      | \$ -<br>-                                    | \$ 213,395<br>18,654   | \$ 603,115<br>-   | \$ 7,032,461<br>976,300            |
| 281,958<br>1,075,032<br>-  | -<br>-<br>2,233                        | 228,674<br>1,042,022<br>-              | 140,082<br>758,432<br>-                                     | -<br>-<br>-  | 215,131<br>1,342,145<br>-                            | -<br>-<br>-                                  | 63,943<br>1,106,719<br>-   | 624,709<br>2,909,697<br>73,537  | 3,081,596<br>13,090,848<br>221,320 |
| <u>\$ 1,961,890</u>  | <u>\$ 2,373</u>                        | <u>\$ 1,752,544</u>                    | <u>\$ 1,004,315</u>   | <u>\$ -</u>  | <u>\$ 1,991,771</u>                                  | <u>\$ -</u>                                  | <u>\$ 1,402,711</u>  | <u>\$ 4,211,058</u>   | <u>\$ 24,402,525</u>               |
|  |  |  |   |  |  |  |  |   |                                    |
| \$ 112<br>-  | \$ -<br>-                              | \$ 112<br>2,233                        | \$ -<br>-   | \$ -<br>-  | \$ -<br>-  | \$ -<br>-                                    | \$ 112<br>-  | \$ -<br>-   | \$ 911<br>2,233                    |
| 1,356,990<br>1,357,102   | -<br>-                                 | 1,270,696<br>1,273,041                 | 898,514<br>898,514  | -<br>-   | 1,557,276<br>1,557,276                               | -<br>-                                       | 1,170,662<br>1,170,774   | 3,534,406<br>3,534,406  | 16,172,444<br>16,175,588           |
| 604,788  | 2,373                                  | 479,503                                | 105,801   | -  | 434,495  | -  | 231,937  | 676,652   | 8,226,937                          |
| <u>\$ 1,961,890</u>  | <u>\$ 2,373</u>                        | <u>\$ 1,752,544</u>                    | <u>\$ 1,004,315</u>   | <u>\$ -</u>  | <u>\$ 1,991,771</u>                                  | <u>\$ -</u>                                  | <u>\$ 1,402,711</u>  | <u>\$ 4,211,058</u>   | <u>\$ 24,402,525</u>               |

**CHARTER TOWNSHIP OF LYON**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2007**

|   | 1998 Water<br>Special<br>Assessment | 1998 Sewer<br>Special<br>Assessment | Carriage Club<br>Sewer Special<br>Assessment | Fire Station<br>General<br>Obligation | Woodwind<br>Sewer Special<br>Assessment | West Grand<br>River Water<br>Special<br>Assessment | New Hudson<br>Drive Special<br>Assessment | New Hudson<br>Drive #2<br>Special<br>Assessment | Central Grand<br>River Sewer<br>Special<br>Assessment |
|---|-------------------------------------|-------------------------------------|--|---------------------------------------|---|--|---|---|---|
| Revenues:   |                                     |                                     |  |                                       |   |  |   |   |   |
| Property Taxes  | \$ -                                | \$ -                                | \$ -   | \$ 261,111                            | \$ -                                    | \$ -   | \$ -                                      | \$ -  | \$ -  |
| Special Assessments   | 205,555                             | 115,842                             | 57,361                                       | -                                     | 278,995                                 | 99,782   | 72,828                                    | 102,486   | 665,635   |
| Interest  | 35,867                              | 2,253                               | 17,535                                       | 4,605                                 | 70,406                                  | 19,263   | 2,723                                     | 5,632   | 84,449  |
| Total Revenues  | <u>241,422</u>                      | <u>118,095</u>                      | <u>74,896</u>                                | <u>265,716</u>                        | <u>349,401</u>                          | <u>119,045</u>                                     | <u>75,551</u>                             | <u>108,118</u>                                  | <u>750,084</u>  |
| Expenditures:   |                                     |                                     |  |                                       |   |  |   |   |   |
| Principal   | 185,000                             | 120,000                             | 150,000                                      | 125,000                               | 500,000                                 | 100,000  | 65,000                                    | 95,000  | 675,000   |
| Interest and Fees   | 91,462                              | 7,650                               | 20,203                                       | 156,772                               | 113,775                                 | 43,425   | 14,453                                    | 20,750  | 143,012   |
| Total Expenditures  | <u>276,462</u>                      | <u>127,650</u>                      | <u>170,203</u>                               | <u>281,772</u>                        | <u>613,775</u>                          | <u>143,425</u>                                     | <u>79,453</u>                             | <u>115,750</u>                                  | <u>818,012</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures                                | (35,040)                            | (9,555)                             | (95,307)                                     | (16,056)                              | (264,374)                               | (24,380)   | (3,902)                                   | (7,632)   | (67,928)  |
| Other Financing Sources:  |                                     |                                     |  |                                       |   |  |   |   |   |
| Operating Transfers In  | -                                   | -                                   | -  | -                                     | -                                       | -  | -   | -   | -   |
| Excess (Deficiency) of Revenues<br>and Other Financing Sources<br>Over Expenditures | (35,040)                            | (9,555)                             | (95,307)                                     | (16,056)                              | (264,374)                               | (24,380)   | (3,902)                                   | (7,632)   | (67,928)  |
| Fund Balance - January 1  | <u>769,891</u>                      | <u>75,630</u>                       | <u>422,853</u>                               | <u>79,449</u>                         | <u>2,063,260</u>                        | <u>485,712</u>                                     | <u>139,602</u>                            | <u>261,619</u>                                  | <u>1,917,546</u>                                      |
| Fund Balance - December 31  | <u>\$ 734,851</u>                   | <u>\$ 66,075</u>                    | <u>\$ 327,546</u>                            | <u>\$ 63,393</u>                      | <u>\$ 1,798,886</u>                     | <u>\$ 461,332</u>                                  | <u>\$ 135,700</u>                         | <u>\$ 253,987</u>                               | <u>\$ 1,849,618</u>                                   |

| Pontiac Trail/<br>Martindale Road<br>Sewer Special<br>Assessment | Woodwind Well<br>General<br>Obligation | Woodwind Well<br>Special<br>Assessment | Martindale/<br>Pontiac Trail<br>Water Special<br>Assessment | West Pontiac<br>Trail Water<br>General<br>Obligation | West Pontiac<br>Trail Water<br>Special<br>Assessment | Woodwind<br>Well #3<br>General<br>Obligation | Woodwind<br>Well #3, Timber<br>Trail, Spaulding<br>Sewer Special<br>Assessment | 11 Mile Road<br>Paving &<br>Spaulding Rd<br>Water/Lyon<br>Ridge Sewer<br>Assessment | Total               |
|--|--|--|---|--|--|--|--|---|---------------------|
| \$ -   | \$ -                                   | \$ -                                   | \$ -  | \$ -   | \$ -   | \$ -   | \$ -   | \$ -  | \$ 261,111          |
| 342,553  | -                                      | 335,229                                | 145,743   | -  | 347,657  | -  | 271,708  | 947,523   | 3,988,897           |
| 18,655   | 7                                      | 18,553                                 | 4,465   | -  | 20,187   | 666  | 6,389  | 13,966  | 325,621             |
| <u>361,208</u>   | <u>7</u>                               | <u>353,782</u>                         | <u>150,208</u>  | <u>-</u>   | <u>367,844</u>                                       | <u>666</u>                                   | <u>278,097</u>   | <u>961,489</u>  | <u>4,575,629</u>    |
| 245,000  | 95,000                                 | 225,000                                | 100,000   | 60,000   | 165,000  | 9,000  | 155,000  | 460,000   | 3,529,000           |
| 99,313   | 32,322                                 | 64,125                                 | 47,600  | 22,407   | 60,188   | 4,380  | 46,505   | 141,400   | 1,129,742           |
| <u>344,313</u>   | <u>127,322</u>                         | <u>289,125</u>                         | <u>147,600</u>  | <u>82,407</u>  | <u>225,188</u>                                       | <u>13,380</u>                                | <u>201,505</u>   | <u>601,400</u>  | <u>4,658,742</u>    |
| 16,895   | (127,315)                              | 64,657                                 | 2,608   | (82,407)   | 142,656  | (12,714)                                     | 76,592   | 360,089   | (83,113)            |
| <u>-</u>   | <u>127,322</u>                         | <u>-</u>                               | <u>-</u>  | <u>82,407</u>  | <u>-</u>   | <u>6,592</u>                                 | <u>-</u>   | <u>-</u>  | <u>216,321</u>      |
| 16,895   | 7                                      | 64,657                                 | 2,608   | -  | 142,656  | (6,122)                                      | 76,592   | 360,089   | 133,208             |
| <u>587,893</u>   | <u>2,366</u>                           | <u>414,846</u>                         | <u>103,193</u>  | <u>-</u>   | <u>291,839</u>                                       | <u>6,122</u>                                 | <u>155,345</u>   | <u>316,563</u>  | <u>8,093,729</u>    |
| <u>\$ 604,788</u>  | <u>\$ 2,373</u>                        | <u>\$ 479,503</u>                      | <u>\$ 105,801</u>   | <u>\$ -</u>  | <u>\$ 434,495</u>                                    | <u>\$ -</u>                                  | <u>\$ 231,937</u>  | <u>\$ 676,652</u>   | <u>\$ 8,226,937</u> |

**CHARTER TOWNSHIP OF LYON**  
**Nonmajor Capital Project Funds**  
**Combining Balance Sheet**  
**December 31, 2007**

|                      | Mill River<br>Water &<br>Sewer | Fire Stations            | Central Grand<br>River Sewer | Martindale<br>Road and<br>Water |
|----------------------|--------------------------------|--------------------------|------------------------------|---------------------------------|
| <b><u>ASSETS</u></b> |                                |                          |                              |                                 |
| Cash                 | \$ 662,831                     | \$ 277,413               | \$ 139,907                   | \$ 20,805                       |
| Due from Other Funds | <u>-</u>                       | <u>11,921</u>            | <u>5,643</u>                 | <u>-</u>                        |
| Total Assets         | <u><u>\$ 662,831</u></u>       | <u><u>\$ 289,334</u></u> | <u><u>\$ 145,550</u></u>     | <u><u>\$ 20,805</u></u>         |

**LIABILITIES AND FUND BALANCE**

|                                    |                          |                          |                          |                         |
|------------------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| Liabilities:                       |                          |                          |                          |                         |
| Accounts Payable                   | \$ 60,892                | \$ -                     | \$ -                     | \$ -                    |
| Contracts Payable                  | 3,000                    | -                        | -                        | 4,470                   |
| Due to Other Funds                 | <u>47,338</u>            | <u>7,680</u>             | <u>145,550</u>           | <u>15,355</u>           |
| Total Liabilities                  | 111,230                  | 7,680                    | 145,550                  | 19,825                  |
| Fund Balance:                      |                          |                          |                          |                         |
| Reserved for Construction          | <u>551,601</u>           | <u>281,654</u>           | <u>-</u>                 | <u>980</u>              |
| Total Liabilities and Fund Balance | <u><u>\$ 662,831</u></u> | <u><u>\$ 289,334</u></u> | <u><u>\$ 145,550</u></u> | <u><u>\$ 20,805</u></u> |

| <u>West<br/>Pontiac Trail<br/>Sewer</u> | <u>West<br/>Pontiac Trail<br/>Water</u> | <u>Woodwind<br/>Well #3,<br/>Timber Trail,<br/>Spaulding<br/>Sewer</u> | <u>11 Mile Road<br/>Paving &amp;<br/>Spaulding Rd<br/>Water/Lyon<br/>Ridge Sewer</u> | <u>Total</u>        |
|---|---|--|--|---------------------|
| \$ 384,515                              | \$ 411,381                              | \$ 112,755   | \$ 185,019   | \$ 2,194,626        |
| <u>55,869</u>                           | <u>-</u>                                | <u>-</u>   | <u>-</u>   | <u>73,433</u>       |
| <u>\$ 440,384</u>                       | <u>\$ 411,381</u>                       | <u>\$ 112,755</u>  | <u>\$ 185,019</u>  | <u>\$ 2,268,059</u> |

|                   |                   |                   |                   |                     |
|-------------------|-------------------|-------------------|-------------------|---------------------|
| \$ 16,076         | \$ 5,523          | \$ -              | \$ 87,794         | \$ 170,285          |
| 5,400             | 16,200            | 4,221             | 15,000            | 48,291              |
| <u>418,908</u>    | <u>112,639</u>    | <u>1,500</u>      | <u>82,225</u>     | <u>831,195</u>      |
| <u>440,384</u>    | <u>134,362</u>    | <u>5,721</u>      | <u>185,019</u>    | <u>1,049,771</u>    |
| <u>-</u>          | <u>277,019</u>    | <u>107,034</u>    | <u>-</u>          | <u>1,218,288</u>    |
| <u>\$ 440,384</u> | <u>\$ 411,381</u> | <u>\$ 112,755</u> | <u>\$ 185,019</u> | <u>\$ 2,268,059</u> |

**CHARTER TOWNSHIP OF LYON**  
**Nonmajor Capital Project Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2007**

|  | Mill River<br>Water &<br>Sewer | Fire Stations     | Central Grand<br>River Sewer | Martindale<br>Road and<br>Water |
|--|--------------------------------|-------------------|------------------------------|---------------------------------|
| Revenues:  |                                |                   |                              |                                 |
| Interest   | \$ 40,502                      | \$ 13,205         | \$ -                         | \$ 980                          |
| Other  | <u>-</u>                       | <u>5,670</u>      | <u>-</u>                     | <u>-</u>                        |
| Total Revenues                                       | 40,502                         | 18,875            | -                            | 980                             |
| Expenditures:  |                                |                   |                              |                                 |
| Construction in Progress                             | <u>303,358</u>                 | <u>13,599</u>     | <u>-</u>                     | <u>-</u>                        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (262,856)                      | 5,276             | -                            | 980                             |
| Fund Balance - January 1                             | <u>814,457</u>                 | <u>276,378</u>    | <u>-</u>                     | <u>-</u>                        |
| Fund Balance - December 31                           | <u>\$ 551,601</u>              | <u>\$ 281,654</u> | <u>\$ -</u>                  | <u>\$ 980</u>                   |



| <u>West<br/>Pontiac Trail<br/>Sewer</u> | <u>West<br/>Pontiac Trail<br/>Water</u> | <u>Woodwind<br/>Well #3,<br/>Timber Trail,<br/>Spaulding<br/>Sewer</u> | <u>11 Mile Road<br/>Paving &amp;<br/>Spaulding Rd<br/>Water/Lyon<br/>Ridge Sewer</u> | <u>Total</u>               |
|---|---|--|--|----------------------------|
| \$ 17,923                               | \$ 19,573                               | \$ 5,882   | \$ 9,568   | \$ 107,633                 |
| <u>-</u>                                | <u>-</u>                                | <u>-</u>   | <u>-</u>   | <u>5,670</u>               |
| 17,923                                  | 19,573                                  | 5,882  | 9,568  | 113,303                    |
| <u>17,923</u>                           | <u>11,471</u>                           | <u>5,253</u>   | <u>91,794</u>  | <u>443,398</u>             |
| -                                       | 8,102                                   | 629  | (82,226)   | (330,095)                  |
| <u>-</u>                                | <u>268,917</u>                          | <u>106,405</u>   | <u>82,226</u>  | <u>1,548,383</u>           |
| \$ <u><u>-</u></u>                      | \$ <u><u>277,019</u></u>                | \$ <u><u>107,034</u></u>   | \$ <u><u>-</u></u>   | \$ <u><u>1,218,288</u></u> |

**CHARTER TOWNSHIP OF LYON**  
**Downtown Development Authority Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2007**

|                            | <u>Budgeted Amounts</u> |                   | <u>Actual</u>       | <u>Variance with</u> |
|----------------------------|-------------------------|-------------------|---------------------|----------------------|
|                            | <u>Original</u>         | <u>Final</u>      |                     | <u>Final Budget</u>  |
| Revenues:                  |                         |                   |                     |                      |
| Current Property Taxes     | \$ 1,390,000            | \$ 1,390,000      | \$ 1,361,660        | \$ (28,340)          |
| Federal Grants             | 262,500                 | 262,500           | 216,160             | (46,340)             |
| Special Assessments        | -                       | -                 | 182,310             | 182,310              |
| Interest                   | 60,500                  | 60,500            | 157,545             | 97,045               |
| Total Revenues             | <u>1,713,000</u>        | <u>1,713,000</u>  | <u>1,917,675</u>    | <u>204,675</u>       |
| Expenditures:              |                         |                   |                     |                      |
| Community Development      | <u>1,264,900</u>        | <u>1,264,900</u>  | <u>1,818,135</u>    | <u>(553,235)</u>     |
| Net Change in Fund Balance | \$ <u>448,100</u>       | \$ <u>448,100</u> | 99,540              | \$ <u>(348,560)</u>  |
| Fund Balance - January 1   |                         |                   | <u>2,999,430</u>    |                      |
| Fund Balance - December 31 |                         |                   | \$ <u>3,098,970</u> |                      |

# POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP  
*Certified Public Accountants*

## PLYMOUTH

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June 25, 2007

Board of Trustees  
Charter Township of Lyon  
Oakland County, Michigan

In planning and performing our audit of the financial statements of the Charter Township of Lyon as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The volume and complexity of the Township's accounting records, especially the year end closing process, continues to be a significant amount of work, which requires numerous journal entries to the Township's general ledger at year end as part of the audit process. We recommend that more timely reconciliations be made, which may reduce the year end work or consider whether additional accounting staff may be necessary.

This communication is intended solely for the information and use of management and the Board of Trustees of the Charter Township of Lyon and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Post Smythe Lutz and Ziel of Plymouth".

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants